

# AUDIT COMMITTEES IN DOD

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# Why Do We Need Audit Committees?

- OUSD(C) on March 6, 2004, directed establishment of Audit Committees
- Hold management accountable
- Provide a new perspective for long-standing issues, as well as information about best practices.
- Leverage the use of the Component head and CFO's time
- Enhanced communication on financial management matters among senior management
- IG will have a group with which to discuss controversial audit matters
- A vehicle for resolving differences involving disputed internal control and compliance audit findings and recommendations
- Increase confidence that management is proactively addressing financial management concerns

# Audit Committee Responsibilities

- Committee responsibilities should be clearly defined in a charter along with who the audit committee reports to
- Provide independent advice and counsel to the Component head - - financial management, audited financial statements
- Act as a liaison between management and the financial statement auditors
- Review implementation plans for improving financial management processes and systems
- Making recommendations that will ensure compliance with GAAP
- Review the effectiveness of the Components risk management, internal control, and compliance with laws and regulations

# Chair Responsibilities

- Design and manage the agenda
- Preside over meetings
- Assign tasks to committee members, as appropriate
- Strive to develop relationships with management and the auditors that are close enough to permit frequent and frank communications

# Example of an Audit Committee Issue

- Army overpaid the Medicare Eligible Retiree Health Care Fund over two fiscal years
- The audit committee took resolution for action
- Position paper written on accounting treatment
- Legal opinion obtained on repayment of funds
- Supporting documentation reviewed
- Audit Committee recommended approval of accounting treatment
- Management will provide position to the Auditors and direct refund

# Committee Membership

- Most members should have an understanding of your business
- Some members should have an understanding of GAAP
- An OUSD(C) representative should be a member
- A DoD OIG representative should be an advisory member
- Membership should consist of functional and Comptroller representatives
- Members should be at a level in the organization that they can assist in addressing committee recommendations
- Don't envision membership falling under FACA at this time - - May eventually develop into committees having non-federal membership

# Scheduling of Meetings

- Meetings should be scheduled at least quarterly.
- Meetings may be more frequent during the audit
- Meetings should normally be called by the chairperson
- Any member should be able to call a meeting